

Message Text

CONFIDENTIAL

PAGE 01 BONN 07406 01 OF 05 291405Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 PA-01 PRS-01 PM-04 DODE-00 L-03
H-01 /097 W
-----291537Z 051194 /45

R 291355Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7815
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO BRUSSELS
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 01 OF 05 BONN 07406

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: GDS
TAGS: ECON, EFIN, GW
SUBJECT: NOT-SO-JOINT FORECAST OF ECONOMIC RESEARCH
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 07406 01 OF 05 291405Z

INSTITUTES: GROWTH PERSPECTIVES REVISED
DOWNWARD

BEGIN UNCLASSIFIED:
1. SUMMARY: THE FIVE MAJOR ECONOMIC RESEARCH
INSTITUTES IN GERMANY WERE MORE DIVIDED THAN USUAL IN
THEIR REGULAR SEMIANNUAL AND WIDELY PUBLICIZED ATTEMPT

TO PRODUCE A "JOINT FORECAST" OF ECONOMIC DEVELOPMENTS IN THE FRG. FOLLOWING PRACTICALLY TWO WEEKS OF JOINT DELIBERATIONS IN HAMBURG, THREE OF THE INSTITUTES (KIEL, BERLIN AND HAMBURG) ARRIVED AT A 4.5 PERCENT REAL GNP FORECAST FOR 1977; TWO INSTITUTES (ESSEN AND MORE IMPORTANTLY IFO) SETTLED ON A FORECAST OF 3.5 PERCENT. SINCE THE LAST JOINT FORECAST HAD A MAJORITY OF FOUR INSTITUTES AT 5.5 PERCENT, THE CURRENT READING REPRESENTS QUITE A DOWNWARD ADJUSTMENT OF GROWTH EXPECTATIONS. NONETHELESS, NO FURTHER STIMULATIVE MEASURES ARE RECOMMENDED FOR THIS YEAR, ALTHOUGH THE GOVERNMENT'S PLAN TO INCREASE THE VAT IN 1978 SHOULD BE SHELVED IN THEIR VIEW AND SOME TAX STIMULUS TO INVESTMENT PROVIDED. END SUMMARY.

2. THE REPORT OF THE FINDINGS OF THE FIVE ECONOMIC RESEARCH INSTITUTES JUST ISSUED CITES THE UNSTEADINESS OF THE ECONOMIC RECOVERY AS CONTRIBUTING TO THEIR DEVIATING FORECASTS, WHICH HAS A MAJORITY OF THREE FORECASTING 4.5 PERCENT (ROUNDED DOWN FROM 4.7 PERCENT) REAL GNP GROWTH IN 1977, AND A MINORITY OF TWO AT 3.5 PERCENT. IT ALSO MENTIONS THE STATISTICAL DATA-HANDLING PROBLEMS FOR NEW ORDERS, PRODUCTION AND EMPLOYMENT AS COMPLICATING ANALYSIS AND INTERPRETATION SINCE THE BEGINNING OF THE YEAR. STATED IS THAT ALL INSTITUTES CONSIDER THAT 1977 IS STILL TO BE CLASSIFIED AS BEING A PERIOD OF CONTINUING RECOVERY; IT IS ONLY THE MAGNITUDE OF THE EXPANSION THAT SETS THEM APART.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 07406 01 OF 05 291405Z

3. THE MAJOR POINT OF DIFFERENCE IN THE GNP COMPONENTS GROWTH RATE OUTLOOKS OF THE TWO GROUPS OF INSTITUTES LIES IN WHAT THEY SEE AS THE DEVELOPMENT OF FIXED INVESTMENT IN MACHINERY AND EQUIPMENT OVER THE COURSE OF THE YEAR. THE MORE OPTIMISTIC GROUP FORESEES 7.5 PERCENT REAL GAIN IN SUCH INVESTMENT, WHILE THE PESSIMISTIC ONES ENVISAGE ONLY A 3.5 PERCENT GROWTH. THE LOWER OPINION IS HEAVILY INFLUENCED BY IFO'S SURVEYS OF BUSINESS ATTITUDES WHICH REFLECT VERY DAMPENED INVESTMENT PROPENSITIES.

4. THE UPPER-END FORECASTERS ALSO ARE MORE SANGUINE ABOUT THE STOCKBUILDING PICTURE, IN THAT THEY PREDICT DM 4 BILLION (IN CONSTANT PRICES) GREATER INVENTORY ACCUMULATION THAN THE LOWER-END FORECASTERS. ON THE OTHER HAND, PARTIALLY OFFSETTING THIS, IS THE EXPECTATION ON THE PART OF THE MINORITY INSTITUTES, IFO AND ESSEN, THAT THE NET FOREIGN BALANCE WILL BE SOME DM 2 BILLION LARGER THAN THE BERLIN-HAMBURG-KIEL MAJORITY

DUE TO THE FACT THAT THEY DO NOT ANTICIPATE IMPORTS

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 07406 02 OF 05 291414Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 PA-01 PRS-01 PM-04 L-03 H-01
DODE-00 /097 W
-----291538Z 051340 /45

R 291355Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7816
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO BRUSSELS
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 02 OF 05 BONN 07406

WILL BE QUITE AS HIGH. ALL FIVE INSTITUTES HAVE
IDENTICAL FORECASTS FOR REAL GROWTH OF EXPORTS , GOODS
AND SERVICES, I.E., 7.5 PERCENT.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 07406 02 OF 05 291414Z

5. THE EXPECTATIONS FOR GROWTH IN PRIVATE CONSUMPTION ARE MARGINALLY HIGHER AT 4.5 PERCENT REAL ON THE PART OF THE MAJORITY THAN IS THE CASE FOR THE MINORITY AT 4.0 PERCENT. ALL FIVE INSTITUTES SEE INFLATION AS MEASURED BY PRIVATE CONSUMPTION DEFLATOR AS BEING IN THE 4 PERCENT RANGE.

6. CAVEATING THE QUANTIFIED FORECAST IS THE OBSERVATION THAT THE STATISTICAL OFFICE WILL SOON REVISE THE BASE YEAR (FOR 1962-1970) AND THAT THIS MAY CHANGE NOT ONLY THE ABSOLUTE VALUES, BUT THE GROWTH RATES CONTAINED IN THE FORECASTS PRESENTLY DEVELOPED. WHILE THE INSTITUTES' REPORT DOES NOT SAY IN WHICH DIRECTION THIS CHANGE WILL BE MADE, WE UNDERSTAND THAT IT WILL RESULT IN A DOWNWARD REVISION OF .3 PERCENTAGE POINTS IN TERMS OF GNP GROWTH RATES ON THE GROUNDS OF THE BASE YEAR CHANGE ONLY.

7. THE CURRENT FORECASTS CONTRAST RATHER STRONGLY WITH THE JOINT FORECAST OF THE INSTITUTES SIX MONTHS AGO WHEN THE MAJORITY OF FOUR (EXCLUDING ESSEN) WERE FORECASTING 5.5 PERCENT REAL GNP GROWTH IN 1977. UNDERLYING THIS DOWNWARD ADJUSTMENT ARE SHARPLY REDUCED EXPORT GROWTH EXPECTATIONS, I.E., DOWN FROM 11 PERCENT (REAL) TO 7.5 PERCENT. ALSO, REDUCED FIXED INVESTMENT GROWTH RATES AND INVENTORY ACCUMULATION CONTRIBUTED TO THE LOWERED OVERALL GROWTH OUTLOOK.

8. THE MAJORITY OF THREE FORECAST THAT THE AVERAGE NUMBER OF UNEMPLOYED IN 1977 WILL STILL BE OVER 900,000. THE MINORITY OF TWO STATED THAT IT WOULD BE ONLY SLIGHTLY BELOW 1,000,000. SIX MONTHS AGO, THE JOINT FORECAST SET THIS FIGURE AT 800,000, SO THAT THE 1-1.5 PERCENTAGE POINT REDUCTION IN GNP EXPECTATIONS WOULD EQUATE TO ABOUT 150,000 FEWER JOBS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 07406 02 OF 05 291414Z

9. THE THREE INSTITUTES FORMING THE MAJORITY IN THE CURRENT FORECASTING EXERCISE STATE THAT:

(A) DEMAND WILL SOON ONCE AGAIN STRENGTHEN DUE TO A RESUMPTION OF THE STRENGTH IN MERCHANDISE EXPORT GROWTH RATES TO WESTERN INDUSTRIAL COUNTRIES, AS WELL AS TO OPEC NATIONS. PRIVATE CONSUMPTION WILL GROW

IN RESPONSE TO INCREASES IN DISPOSABLE INCOME, AND THIS IN TURN, WILL CONSOLIDATE THE SALES AND PROFIT EXPECTATIONS OF BUSINESS, WHICH WILL LEAD TO INCREASES IN THEIR INVESTMENT PROPENSITY. THE INVESTMENT AND CONSUMER MOOD WILL BE POSITIVELY AFFECTED BY THE GOVERNMENT'S INVESTMENT PROGRAM; ALTHOUGH, NO DIRECT PRODUCTION EFFECT SHOULD BE EXPECTED IN THIS YEAR FROM THE PROGRAM, THEY ASSERT. (SEE PARA 13C)

(B) THERE IS NO NEED FOR THE PUBLIC SECTOR TO BE SO FISCALLY RESTRICTIVE. THEY STATE THAT IN 1977 THE DEFICIT WILL BE ONLY ABOUT HALF AS LARGE AS IT WAS IN 1975. ALTHOUGH, THEY NOTE THAT THE EXPECTED 4 PERCENT INCREASE IN CONSUMER PRICES IN 1977, WHICH REPRESENTS SLIGHT IMPROVEMENT ON THE PREVIOUS YEAR, IS TO BE SEEN AS A SUCCESS FOR THE STABILIZATION POLICY. (SEE PARA LL(B) FOR FURTHER COMMENT.)

(C) REAL GNP GROWTH WILL ACCELERATE AS THE YEAR PROGRESSES. BY THE END OF THE YEAR IN WORKINGDAY AND SEASONALLY ADJUSTED TERMS, IT SHOULD REACH AN ANNUAL RATE OF GROWTH OF 6 PERCENT. THIS WOULD SIGNIFY A SIGNIFICANT INCREASE IN CAPACITY UTILIZATION. IT IS THE SLOWING DOWN OF THE ECONOMY IN THE WINTER THAT LEADS TO THE LESSER AVERAGE ANNUAL GROWTH FORECAST OF 4.5 PERCENT WHICH THE INSTITUTES SAY IS A LOWER EXPECTATION THAN WHAT THEY HAD IN THE FALL DUE TO A REDUCED RATE OF GROWTH IN EXPORTS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BONN 07406 02 OF 05 291414Z

10. IFO AND ESSEN, IN THEIR MINORITY REPORT, JUDGE THE ECONOMIC SITUATION MORE CAUTIOUSLY AND FIND:

(A) THE RECOVERY SINCE THE END OF LAST FALL IS SHAKY, HIGHLIGHTED BY ANOTHER SLOWDOWN FOLLOWING THE END OF THE YEAR.

(B) A WEAK ORDERS PICTURE AND INVESTMENT PROPENSITY

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 07406 03 OF 05 291415Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 PA-01 PRS-01 PM-04 DODE-00 L-03
H-01 /097 W
-----291538Z 051356 /45

R 291355Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7817
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO BRUSSELS
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAF RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 03 OF 05 BONN 07406

STANDOUT AS THE REASONS FOR THE MORE PESSIMISTIC VIEW.
FURTHERMORE, THE IFO SURVEYS DON'T REVEAL ANY DECISIVE
FUTURE IMPROVEMENT ON THE HORIZON. INVESTMENT IS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 07406 03 OF 05 291415Z

LAGGING DUE TO WIDE-SPREAD UNCERTAINTY CONCERNING THE
FUTURE SALES AND PROFITS. THEY OBSERVE THAT THE INCREASE
IN FIXED INVESTMENT IN MACHINERY AT THE END OF THE YEAR
WAS FOLLOWED IN THE FIRST QUARTER BY A SIZEABLE DROP-OFF
IN THE FIRST QUARTER OF 1977. NEVERTHELESS, THEY SEE
SOME PICKUP LATER IN THE YEAR, HOWEVER, NOT ENOUGH TO
INCREASE THE AVERAGE RATE OF GROWTH FOR THE YEAR TO
MORE THAN 3-4 PERCENT.

(C) THE OVERALL GNP RATE OF GROWTH WILL GRADUALLY RISE OVER THE COURSE OF THE YEAR BUT WITHOUT ANY PARTICULAR VIGOR. ALTHOUGH THE TABLE WHICH WE APPEND AT THE END OF THIS CABLE SPECIFIES A 3.5 PERCENT ANNUAL GROWTH RATE FORECAST, ESSEN AND IFO STATE IN THE NARRATIVE THAT THEY EXPECT GNP TO PROBABLY INCREASE AT A 3-4 PERCENT REAL RATE IN 1977.

(D) DESPITE THE LOWER GROWTH OUTLOOK, BOTH INSTITUTES DO NOT SEE ANY POSSIBILITY TO STIMULATE GROWTH AND INVESTMENT IN THE COURSE OF THIS YEAR WITHOUT BRINGING ON RISKS FOR THE LONGER-TERM DEVELOPMENT OF THE ECONOMY.

11. ALL THE INSTITUTES, EXCEPTING ESSEN, ASSOCIATED THEMSELVES WITH THE ECONOMIC POLICY CONSIDERATION SUMMARIZED BELOW:

(A) A NUMBER OF UNCERTAINTIES COULD HINDER ECONOMIC DEVELOPMENTS IN 1977 AND BEYOND. AMONG THESE ARE THE PROPOSED PACKAGE OF TAX MEASURES OF THE GOVERNMENT (INCREASE IN THE VAT, AMONG OTHERS), A REORGANIZATION OF THE OLD AGE PENSION AND HEALTH SYSTEMS, UNCERTAINTY AS TO THE EXTENT TO WHICH THE GOVERNMENT'S NEW INVESTMENT PROGRAM WILL REALLY LEAD TO INCREASED PUBLIC SECTOR INVESTMENT, AND THE CONTROVERSY OVER ENERGY SUPPLIES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 07406 03 OF 05 291415Z

(B) THE LOW LEVEL OF CAPACITY UTILIZATION AND THE STILL HIGH LEVEL OF UNEMPLOYMENT ARGUE AGAINST ANY MEASURES THAT WOULD RESTRICT THE FURTHER DEVELOPMENT OF THE ECONOMY. STRONGLY IMPLIED IS THAT THE GOVERNMENT'S PLANNED VAT INCREASE SHOULD BE SCRAPPED. WHAT IS REQUIRED THEY SAY ARE INCREASED TAX INCENTIVES TO BOLSTER INVESTMENT PROPENSITY, SUCH AS IMPROVED DEPRECIATION FACILITIES. IN ORDER TO ACHIEVE A REDUCTION OF THE PUBLIC SECTOR DEFICIT, THEY RECOMMEND A FURTHER REDUCTION OF GOVERNMENT SUBSIDY OF SAVINGS. IN VIEW OF THE HIGH SAVINGS PROPENSITY THIS IS NOT OBJECTIONABLE.

(C) THE INSTITUTES WELCOME THE FUTURE-ORIENTED INVESTMENT PROGRAM OF THE GOVERNMENT. THEY RECOMMEND EXECUTION IF ONLY TO COUNTERACT THE FURTHER REDUCTION OF CAPACITY IN THE CONSTRUCTION INDUSTRY. MOREOVER, THEY WARN AGAINST THE POSSIBLE TENDENCY TO FINANCE WITH THE FUNDS FROM THIS PROGRAM PROJECTS THAT WERE PLANNED ANYWAY; THE INVESTMENTS SHOULD BE TRULY

ADDITIONAL IN NATURE AND CONCEPT.

12. IN ITS SECTION DEALING WITH THE INTERNATIONAL ECONOMIC SCENE, THE INSTITUTES ARGUE THAT STIMULATION BY THE COUNTRIES WITH STRONG CURRENCIES WOULD ONLY TEMPORARILY HELP THE WEAK CURRENCY COUNTRIES. RATHER, IN THEIR VIEW, PREREQUISITES FOR A REDUCTION OF THE EXTERNAL DISEQUILIBRIA OF WEAK CURRENCY COUNTRIES ARE LASTING PROGRESS TOWARD (PRICE) STABILITY, AS WELL AS ADHERENCE TO FLEXIBLE EXCHANGE RATES IN ORDER TO AVOID DETERIORATION OF THEIR INTERNATIONAL COMPETITIVE POSITIONS. SHORT-TERM DEMAND AND ARTIFICIAL IMPORT STIMULATION BY GERMANY ARE JUDGED UNDESIRABLE. TURNING TO THE U.S., THEY NOTED ITS RECENT GROWTH ACCELERATION, AND ANTICIPATE A FURTHER FIRMING UP OF EXPANSIONARY FORCES IN THE COURSE OF THE YEAR. GNP GROWTH OF 5 PERCENT, MORE
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BONN 07406 03 OF 05 291415Z

RAPID IMPORT THAN EXPORT GROWTH, AND AN INFLATION OF 6 PERCENT ARE FORESEEN FOR THE YEAR AS A WHOLE. END
UNCLASSIFIED

BEGIN CLASSIFIED:

13. COMMENT:

(A) WE KNOW FROM OUR CONVERSATION WITH THE INSTITUTES JUST PRIOR TO THE JOINT FORECASTING SESSION

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 07406 04 OF 05 291426Z

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 PA-01 PRS-01 PM-04 DODE-00 L-03
H-01 /097 W

-----291539Z 051519 /45

R 291355Z APR 77

FM AMEMBASSY BONN
TO SECSTATE WASHDC 7818
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO BRUSSELS
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 04 OF 05 BONN 07406

THAT THEIR RANGE OF EXPECTATIONS WAS FAR WIDER THAN
APPARENT IN THE FINAL FORECAST. THE HIGH END OF THE
RANGE WAS REPRESENTED BY THE 5.5 PERCENT GROWTH FORECAST
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 07406 04 OF 05 291426Z

OF THE DIW INSTITUTE IN BERLIN. KIEL WENT INTO THE
GROUP SESSION WITH A SOLID FEELING THAT REAL GROWTH OF
5 PERCENT WAS ASSURED. HAMBURG TOLD US THAT THE MOST
THEY COULD SEE WAS 4.5 PERCENT GROWTH RATE. IFO HAD
SHOWN US AN ECONOMETRIC MODEL OUTPUT FORECASTING 3.2
PERCENT FOR THE YEAR WHICH, ON THE BASIS OF THE
INTUITIVE FORECASTERS ON THE STAFF, WAS MODIFIED UPWARD
TO 3.7 PERCENT. ESSEN HELD AT 3 TO 3.5 PERCENT, ITS
VIEW OF LONG STANDING. JOINED NOW BY THE PRESTIGIOUS
AND MUCH LARGER IFO INSTITUTE, ITS MORE PESSIMISTIC
VIEW OF THE ECONOMIC OUTLOOK IS LENT FAR GREATER
CREDABILITY. ON THE OTHER HAND, THE MAJORITY OF THREE
POSITION IS NOT THAT FAR FROM THE 5 PERCENT PROJECTION
OF THE GOVERNMENT SO AS TO CREATE PROBLEMS FOR THE
LATTER. THE SOLID RECOMMENDATION OF ALL THE INSTITUTES
FOR THE GOVERNMENT TO DROP ITS VAT INCREASE PLANS,
HOWEVER, CANNOT BE PARTICULARLY WELL RECEIVED, AT LEAST
BY FINANCE MINISTER APEL WHO HAS BEEN ITS CHIEF
PROPONENT. WE UNDERSTAND FROM PRIVATE CONVERSATIONS
WITH ECONOMICS MINISTRY OFFICIALS, HOWEVER, THAT THEY

ALSO ARE NOT SYMPATHETIC FROM AN ECONOMIC POLICY POINT
OF VIEW WITH THIS ASPECT OF THE GOVERNMENT'S PLANS.

(B) IN DISCUSSING THE INSTITUTES' REPORT
WITH THE ECONOMIC MINISTRY'S SHORT-TERM FORECASTING
OFFICE DIRECTOR, HE EXPRESSED HIS PERSONAL VIEW THAT
THE IFO FORECAST WAS PROBABLY CLOSEST TO THE MARK.
HE EXPLAINED, HOWEVER, THAT THE OFFICIAL FRG 5 PERCENT
FORECAST WHICH EMANATED FROM HIS OFFICE WAS THE
PRODUCT OF HIS PERSONAL VIEWS BEING OVERRULED BY
HIS SUPERIORS.

(C) OUR PRIVATE CONVERSATIONS WITH THE INSTITUTES
CONFIRM THAT SUSTAINABILITY OF THE UPTURN INTO 1978
WILL BE MORE HEAVILY DEPENDENT THAN EVER ON THE
GENERATION OF AN EXPORT SURPLUS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 07406 04 OF 05 291426Z

AND ALL THAT IMPLIES.
THIS IS BECAUSE
IMPORTANT DOMESTIC DEMAND IMPULSES PRESENT IN 1977 DUE
TO SUBSTANTIAL OLD AGE PENSION INCREASES AND THE
FREEING UP OF LONG-TERM PRIVATE SAVINGS WILL NOT BE
PRESENT NEXT YEAR.FURTHERMORE, THE ABSENCE OF THESE GROWTH
STIMULANTS, WHICH HAVE LED TO ONLY MODERATE GROWTH
THIS YEAR, WILL NOT BE FULLY OFFSET BY THE ANTICIPATED
INVESTMENT PICKUP NEXT YEAR. END CLASSIFIED

BEGIN UNCLASSIFIED:
14. PERTINENT TABLE FOLLOWS:

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 07406 05 OF 05 291418Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 PA-01 PRS-01 PM-04 DODE-00 L-03

H-01 /097 W

-----291539Z 051413 /45

R 291355Z APR 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7819

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 05 OF 05 BONN 07406

INSTITUTES' FORECASTS FOR 1977 REAL GNP GROWTH RATES
(1962 PRICES)

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 07406 05 OF 05 291418Z

BERLIN, HAMBURG,
KIEL IFO, ESSEN

PRIVATE CONSUMPTION	4.5	4.0
PUBLIC CONSUMPTION	2.5	2.5
FIXED INVESTMENT	5.0	2.5
EQUIPMENT	7.5	3.5
BUILDINGS	2.0	1.5
INVENTORY CHANGE (DM BIL)	(13.0)	(9.0)
NET FOREIGN BAL (DM BIL)	(12.0)	(14.0)
EXPORTS	7.5	7.5
IMPORTS	8.5	7.5
GNP	4.5	3.5

PRICE DEVELOPMENTS

PRIVATE CONSUMPTION	4.0	4.0
GNP	3.5	4.0
STOESSEL		

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, ECONOMIC TRENDS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN07406
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770150-0596
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977046/aaaaaesi.tel
Line Count: 605
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ed3fb2a5-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2814587
Secure: OPEN
Status: NATIVE
Subject: NOT-SO-JOINT FORECAST OF ECONOMIC RESEARCH CONFIDENTIAL CONFIDENTIAL
TAGS: ECON, EFIN, GE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ed3fb2a5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009